

MONTHLY REVIEW

OF

BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Vol. XVIII

San Francisco, California, September 20, 1934

No. 9

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Most measures of Twelfth District business turned upward during August. This movement, which contrasted with that for the United States as a whole, was particularly noticeable in those activities directly affected by strikes in the preceding three months and in those areas which are especially influenced by the purchasing power of the farmer.

Principally because of a sharp and larger than seasonal increase in cannery operations, industrial employment was higher than in any month since October 1930. Reflecting a substantial upturn in the Douglas fir producing region, lumber mill operations more than regained losses in May, June, and July. Activity at flour mills also expanded. There was a moderate decrease in crude oil production and refining in response to reduced code allotments. Production of electric power remained practically unchanged, whereas some decrease is customarily expected between July and August. Public works contracts, although smaller than in June and July, totaled about the same as the average for the first six months of this year, and there was a slight upturn in privately financed building.

Department store sales expanded by considerably more than the seasonal amount during August. Gains were widespread throughout the district, especially in the San Francisco Bay area and in Seattle. Sales of new automobiles increased during August to the highest level in four years. Reopening of port facilities restored water-borne intercoastal traffic, but railway freight, following several months of steady expansion, did not show the full seasonal rise during August.

Prospects for agriculture in this district continued relatively favorable during August. Production estimates of most crops did not change materially during the month. Substantial increases in prices as a result of poor crops elsewhere in the United States indicate fairly good returns for products currently being marketed. Although weather conditions favored maturing and harvesting of crops during the

month, rainfall is needed to condition the soil for fall plantings. Stock water and range feed were reduced further during August, and supplemental feeding of livestock as well as movement to better ranges continued on a much larger scale than usual. Market shipments of livestock were also comparatively heavy.

Commercial and real estate loans extended by reporting member banks increased during the five weeks ending September 19, continuing the expansion that started late in July, and total loans of reporting city banks reached the highest point since the spring of 1933. Loans on securities showed little change. Investments declined somewhat, reflecting a reduction in United States Government obligations. Holdings of other securities continued the upward movement that commenced at the beginning of this year. As a result of increased demand deposits, total deposits were larger than at any time in three years. The United States Government disbursed more than it collected in this district during the period under review, the funds thus entering the district banking structure serving to offset a movement of funds to other areas and a seasonal increase in demand for currency. Member bank reserve balances at the Federal Reserve Bank of San Francisco remained unchanged. Interest rates charged by banks as well as rates paid on deposits tended downward further.

Agriculture

Weather was excellent for maturing and harvesting of crops during August and the first half of September. Production of some grain and field crops is turning out to be larger than was expected earlier in the season, while yields of several of the major fruits—peaches, grapes, and prunes—are smaller. On the whole, production is expected to be only moderately smaller than in other recent years. Rains are needed in most farming areas to prepare the soil for fall plowing and sowing. Ranges in the district generally are also greatly in need of rain. Several areas in livestock growing re-

gions reported acute shortages of stock water and feed during August. Cattle in these districts are being shipped to market or to better ranges.

Marketing of the district's principal crops began several weeks earlier than usual this year. Due chiefly to the earlier ripening of crops, shipments since July 1 have been considerably larger than in the same period of 1933.

Prices of farm products on August 15, as measured by the index of the United States Department of Agriculture, were 87 per cent of the August 1909-July 1914 average, the highest since early in 1931. At this level, the index was 9 per cent higher than a month earlier and 21 per cent higher than on August 15, 1933. Farm prices continued to increase between mid-August and mid-September.

INDEXES OF AGRICULTURAL PRICES—United States
(August 1909-July 1914=100)

	Aug. 1926	Aug. 1929	Aug. 1932	Aug. 1933	July 1934	Aug. 1934
Grains	128	129	43	81	92	107
Fruits and Vegetables	166	160	79	120	103	100
Cotton and Cottonseed	130	146	51	71	99	107
Meat Animals	144	165	69	63	66	68
Dairy Products	128	137	65	72	77	80
Poultry Products	137	151	75	67	73	84
All Groups	133	143	59	72	80	87

Source: United States Department of Agriculture.

Because spring wheat yields in the Pacific Northwest exceeded previous expectations the district's total wheat crop on September 1 was forecast at 81,624,000 bushels, an increase of 1,177,000 bushels over the August 1 estimate. Carlot receipts of wheat during August at the principal terminals were approximately double those of July and considerably larger than in August 1933. During recent weeks, wheat prices have fluctuated slightly below the peak reached during the second week of August. Carryover supplies of barley are small and this year's crop is below that of any year since 1931. These factors, combined with increased local and eastern demand for all varieties, caused barley prices to continue to rise during August and the first half of September.

Picking of cotton in Arizona and California began in August and was well under way in September. The crop is of good to excellent quality and is about the same in size as last year and the average of the preceding five years. Cotton prices declined slightly during the last three weeks of August and then fluctuated with little net change during the first half of September at a level about 40 per cent above that a year ago. Production of beans in California and Idaho was forecast on September 1 to total 4,430,000 bags, a decline of 15 per cent from 1933. United States production of beans is expected to be about 26 per cent smaller than a year ago. Prices paid to bean growers advanced

during the period under review and bean markets became more active. Harvesting of rice in California began early in September with first yields showing better quality than a year ago when quality was poor. A good crop of sugar beets having a high sugar content has been practically entirely harvested in California. In Idaho and Utah, drought and the white fly caused severe damage to the sugar beet crop, materially reducing both its size and quality. The quality of hops now being harvested in California, Oregon, and Washington is better than at the beginning of the season last year. Domestic and foreign demand for hops has been dull and most growers are now filling contracted orders. Alfalfa is in good to excellent condition, except in parts of the Imperial and San Joaquin valleys where the water supply is low. Sales of alfalfa hay to mid-western markets have been comparatively heavy during the past two months. Local dairymen are also buying relatively large quantities of alfalfa for feed because its price has advanced less than have prices of other feeds.

Harvesting and drying of California deciduous fruits commenced early this year and was completed in many orchards early in September. The grape crop, which moved to market in large volume during the month, continued to deteriorate. On September 1 total California grape production was estimated to be 1,471,000 tons compared with an estimate of 1,714,000 tons on July 1 and a 1933 crop of 1,660,000 tons. Opening prices paid to growers for raisins were the minimum named in the California raisin industry marketing agreement. They ranged from \$60 to \$70 per ton and were from \$10 to \$20 per ton higher than 1933 opening prices. In view of the small crop, many growers are holding their product for higher prices. Wineries, which began crushing in the San Joaquin Valley in August, have been paying growers an average of \$15 per ton for wine

Agricultural Marketing Activity—

	August		Season to Date	
	1934	1933	1934	1933
Carlot Shipments				
Deciduous Fruits	15,742	14,192	33,861	21,278
Citrus Fruits ..	6,775	5,978	62,150	60,039
Vegetables	5,163	4,737	99,956	90,694
Exports				
Wheat (bu.) ...	1,956,053	.....	2,501,816	1,768
Barley (bu.) ...	887,707	425,749	1,035,415	923,957
Receipts				
Cattle*	116,297*	43,571*	702,874†	497,802†
Hogs*	122,282*	136,671*	1,623,573†	1,728,763†
Sheep*	582,833*	629,435*	2,982,568†	2,875,325†
Eggs (cases) ...	124,284	114,266	1,318,796	1,184,050
Butter (lbs.) ...	6,188,494	6,806,250	55,215,639	52,488,190
Wheat (carlots)	11,733	6,795	16,149	12,914
Barley (carlots)	473	608	889	1,220
Storage Holdings				
(end of month)				
Wheat (bu.) ...	5,187,000	3,638,000	6,254,000	4,028,000
Beans (bags) ..	657,000	744,000	246,000	364,000
Butter (lbs.) ..	7,155,000	8,051,000	11,492,000	10,268,000
Eggs (cases) ..	620,000	722,000	724,000	788,000

*Excludes receipts at Los Angeles. †Excludes receipts at Los Angeles since June 30.

grapes. The average is about 20 per cent higher this year than it was in the early part of the 1933 crushing season which began in September. During August and early September, grapes for table use and wine making moved to eastern markets in about the same volume and at approximately the same prices as in 1933. Wine grape shipments to eastern markets were much lower in 1933 than in immediately preceding years, reflecting the marked increase in demand for grapes for wine manufacture in California. Opening prices for almonds were slightly higher than in 1933. Prices for that part of the pear crop that was canned were about double those of last year.

There was a considerable decline in estimates of prune production during August. The September 1 forecast was 170,000 tons, compared with 195,000 tons on August 1 and an output of 182,000 tons last year. A marketing agreement between all growers and the Agricultural Adjustment Administration was made effective during the month.

The apple crop in the Pacific Northwest has been damaged by insects, and the fruit has not colored well. The forecast of commercial apple production in those states (Oregon, Washington, and Idaho) declined considerably during the month and on September 1 was estimated to be 29,188,000 bushels, compared with 25,300,000 bushels produced last year and average annual output of 35,328,000 bushels for the period 1927 through 1931.

APPLE PRODUCTION—Commercial Crop
(In thousands of bushels)

	Average 1927-1931	1932	1933	Forecast	
				Aug. 1 1934	Sept. 1 1934
California	5,420	5,211	4,023	4,374	4,212
Idaho	4,487	4,026	3,500	3,410	3,472
Oregon	3,365	3,150	1,800	2,700	2,916
Utah	531	591	219	461	374
Washington	27,476	23,760	20,000	24,000	22,800
Total	41,279	36,738	29,542	34,945	33,774
United States	96,445	85,776	74,722	68,070	67,863

Source: United States Department of Agriculture.

The production estimate of the 1934 Valencia orange crop declined during August, and the crop is now expected to be slightly smaller than that of last year. Both eastern shipments and average prices paid growers during the month were moderately higher than a month earlier and well above those of August 1933. There was little change in the estimate of the output of the 1934 lemon crop from August 1 to September 1. Lemon prices and shipments to eastern markets declined about seasonally from July to August, but the volume of sales exceeded that of any August on record.

Receipts of butter in the Los Angeles, San Francisco, and Portland markets declined seasonally from July to August and there was the customary withdrawal of storage butter. The price of 92 score butter at San Francisco

advanced from 23 cents per pound at the beginning of August to 28 cents per pound at the middle of that month, since when it has fluctuated with little net change. Influenced by declining receipts of eggs at principal district markets and a lowering of storage stocks, egg prices, as measured by quotations for United States No. 1 extras at San Francisco, increased 6 cents per dozen during August and the first three weeks of September. Present prices approximate those of a year ago.

Range feed continued to deteriorate in all parts of the district, except in Washington and Arizona where late August rains brought some improvement. Shortage of stock water was acute over a more widespread area than in the preceding month. Well digging under supervision of the Federal Emergency Relief Administration helped the situation in Nevada somewhat. The shortage of feed and water on summer ranges has necessitated the current use of pastures and feeds which are not ordinarily used until late autumn and winter. With feed and water on ranges scarce and supplemental feed prices at high levels, the fall and winter outlook is poor.

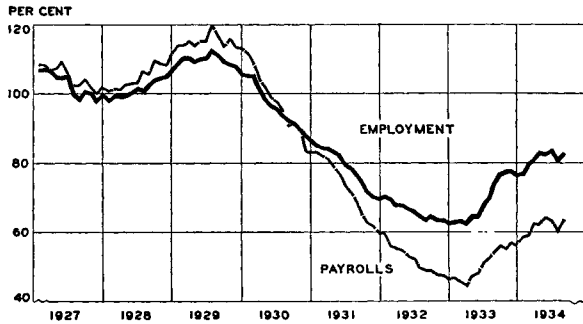
Cattle were in fair to good condition except in the most severe drought-stricken areas where Governmental purchases prevented considerable loss. By the end of August the Federal Government had purchased 173,520 head of cattle in Twelfth District states and a total of approximately 4,250,000 head in the entire country. About 72 per cent of the district purchases were made in Arizona and Utah. The price paid growers averaged around \$13.50 per head. Heavy marketings of cattle consisted principally of animals below the usual weight and prices declined slightly during the month. Influenced by reduced numbers of hogs and smaller shipments to markets, hog prices advanced sharply during August, and in early September ranged from 35 to 65 per cent higher than in July. Quotations were above any recorded since August 1931. Moderate declines in prices during the second and third weeks of September offset a part of the advance during August.

Industry

Output of Twelfth District industries expanded considerably during August, offsetting much of the decline that had taken place in the preceding three months. Termination of labor disturbances in July contributed to the improvement during August.

Industrial employment in California increased 19 per cent from mid-July to mid-August, reaching the highest level since September 1930. This increase in employment as well as an expansion in payrolls reflects al-

most entirely a recovery from the effects of labor troubles in June and July and a sharp rise of more than the customary amount in cannery operations because of early ripening of fruits. Excluding the canning industry, the seasonally adjusted employment index regained most of the loss of the preceding month, advancing to 83 per cent of the 1923-1925 average, compared with 81 in July, 83 in June, and 62 in March 1933, the low point of that year.



INDUSTRIAL EMPLOYMENT AND PAYROLLS—California
 Index adjusted for seasonal variation. Excludes canning and preserving industry. (1923-1925 average=100).

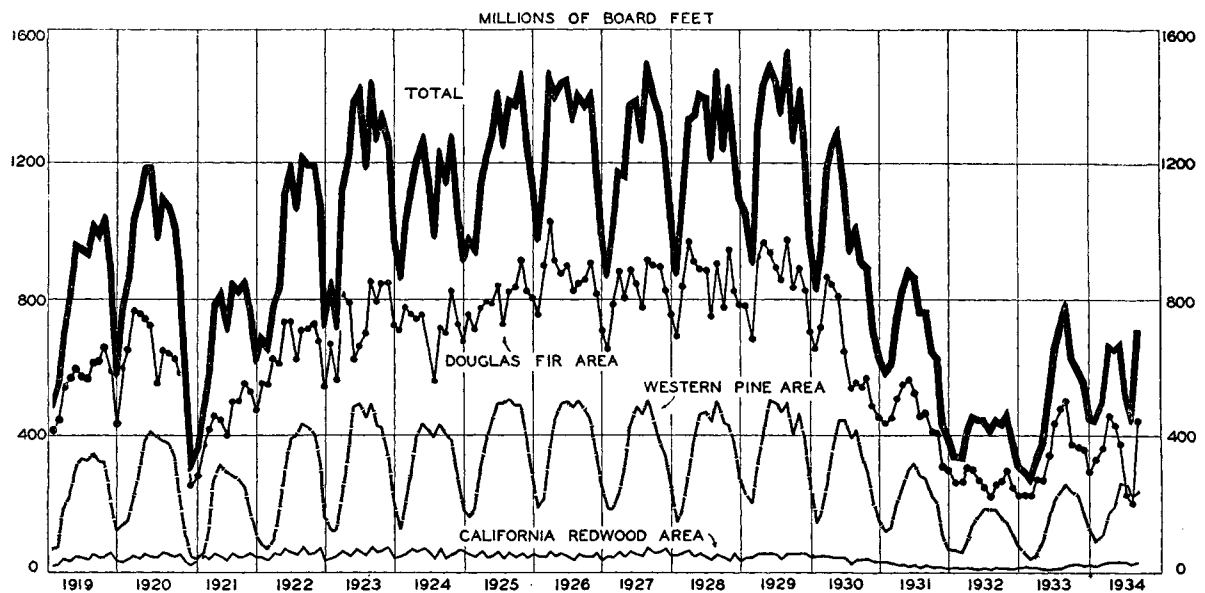
While improvement was reported by most industries in most parts of the State, it was particularly pronounced in San Francisco where the influence of the marine workers' and other strikes had been greatest in July. Aggregate industrial payrolls in California increased 25 per cent from the middle of July to the middle of August, and average weekly earnings increased 5 per cent.

Industrial employment in Oregon increased 23 per cent from July to August, although little

change ordinarily takes place between those months. As in California, the increase reflected in part recovery from the comparatively low level of employment in July at the time of strikes, and an extraordinarily large increase in cannery operations. This bank's index of employment in Oregon advanced 13 points to 80 in August, compared with 84 in October 1933, the high point of that year and 54 in March 1933, when the low point of that year was reached.

Lumber production rose from the lowest level of the year in July to the highest level of the year in August. Operations in the Douglas fir region, which had been severely restricted by the tie-up of water transportation facilities in the preceding three months, more than doubled in volume. An increase of about seasonal proportions took place in the western pine region, where production during June and July exceeded output of the Douglas fir region for the first time since monthly records of this bank were started in 1919. Aggregate shipments and orders also expanded sharply, and for the month as a whole were near their peak for 1934 to date.

Daily average crude oil output was reduced from 518,000 barrels in July to 493,000 barrels in August. This reduction was larger than that which occurred in proration allowables, but there remained a small amount of excess production. The excess of actual over scheduled output has been growing steadily smaller during the past few months, indicating increased compliance with regulations of the oil administrator. Continuing the attempt to reduce inventories at refineries, allotments for September



LUMBER PRODUCTION
 Total monthly output in the Twelfth District and in each lumber association area.

were set at 457,000 barrels daily, 33,000 barrels less than in August and the lowest since last spring. Actual production during the first three weeks of the month averaged 486,000 barrels.

Crude oil run to refinery stills decreased during August and there was some reduction in inventories of gasoline. Gasoline prices were reduced one cent per gallon in Oregon, Washington, and northern California, while quotations in southern California showed no net change.

Contracts awarded for public works construction in the Twelfth District totaled 16 million dollars during August. This amount is much smaller than the exceptionally large contracts for public works let during June and July, but it is somewhat above the average for earlier months of this year. Federal Government projects comprised about two-thirds of the total public works contracts let during August. Although non-Federal public projects undertaken were smaller in value than in the preceding month, work on previously awarded contracts of this type continued to gain. Privately financed construction, including residential and non-residential building and alterations and repairs, showed a slight increase during August from the low levels of recent months.

Packing of the major fruits in California had been practically completed by the end of August. Smaller packs than in most recent years are indicated for those fruits for which figures have been released. At 1,774,491 cases, the apricot pack was the smallest for any year since 1923, and the cherry pack of 159,761 cases was the smallest since 1914. The marked reductions in canning of both apricots and cherries resulted from exceptionally small crops of

those fruits suitable in quality for canning. This year's cling peach pack is limited under terms of marketing control agreements to 8,561,700 cases, as compared with a pack of 10,243,976 cases in 1933 and an average output for the last five years of 9,348,400 cases. In addition, it is estimated that about 100,000 cases of peaches have been canned under authority of the Federal Government for relief purposes. Reflecting the relatively small packs and only moderate carryover stocks, opening prices for these fruits, announced August 22, were considerably higher than a year earlier. Quotations for apricots were the highest since 1929.

OPENING PRICES
California Canned Fruits, F.O.B. Cannery
Choice Grade, No. 2½ cans, per dozen

	1929	1930	1931	1932	1933	1934
Apricots	\$2.65	\$2.00	\$1.75	\$1.40	\$1.60	\$2.10
Cherries, Royal Anne	3.65	2.85	2.45	1.95	1.90	2.20
Peaches, Yellow Cling	2.60	1.80	1.65	1.30	1.40	1.60
Pears, Bartlett	3.25	2.15	1.95	1.60	1.60	1.85

According to the United States Bureau of Fisheries, the 1934 Alaska canned salmon pack totaled 7,234,227 cases, the largest on record, and 2,007,529 cases more than the relatively large pack of 1933. Despite the increased pack, and a fairly large carryover, opening prices for salmon averaged about the same as opening prices in 1933.

Beer production and sales in California attained a post-prohibition peak in July. During that month 31 active brewing companies sold 6,627,177 gallons of beer within the state and 993,326 gallons elsewhere. This is more than double the sales of 3,214,668 gallons in California and 468,250 gallons elsewhere reported by the 13 companies marketing beer in July 1933.

Industry —

Indexes of daily average production, adjusted for seasonal variation (1923-1925 daily average=100)

General	1934				1933		
	Aug.	July	June	May	Aug.	July	June
Carloadings—Industrial..	49¶	47	42	44	48	55	45
Electric Pwr. Production.	150¶	149	147	155	146	141	139
Manufactures							
Lumber	52	37	40	49	57	61	51
Refined Mineral Oils†...	131	130	130	137	136	136	144
Flour	107¶	95	89	97	74	124	112
Slaughter of Livestock ..	110	111	111	115	113	113	115
Cement	53	58	61	74	46	54	47
Wool Consumption†...	80	84	84	101	103	95	96
Minerals							
Petroleum (California)†.	75	78	78	74	76	74	72
Lead (United States)†...	56	56	66	36	36	36	41
Silver (United States)†...	45	45	44	28	34	34	24
Building and Construction§							
Total	64	64	39	29	33	28	52
Building Permits—Value							
Larger Cities	10	10	9	10	14	14	11
Smaller Cities	15	16	15	19	13	13	12
Engineering Contracts							
Awarded—Value							
Total	140	69	77	56	61	50	108
Excluding Buildings.	286	234	151	114	113	83	214

¶Not adjusted for seasonal variation. †Prepared by Federal Reserve Board. §Indexes are for three months ending with the month indicated. ¶Preliminary.

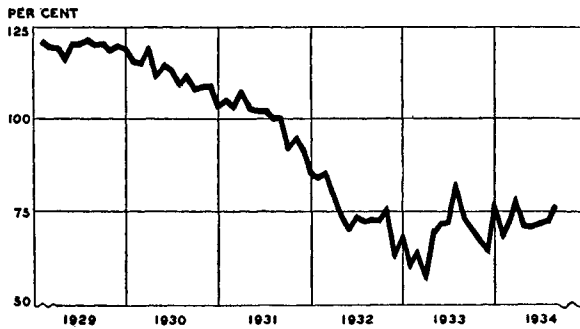
Employment—

Industries	California		Oregon	
	No. of Firms	No. of Employees August 1934	No. of Firms	No. of Employees August 1933
All Industries*	1,155	201,747	114	21,892
		(+17.9)		(+7.7)
Stone, Clay, and Glass Products.	56	6,155	3	195
		(+15.3)		(+56.0)
Lumber and Wood Manufactures ..	118	14,434	41	10,103
		(+1.3)		(-13.7)
Textiles	12	1,275	7	1,213
		(-12.7)		(-0.2)
Clothing, Millinery, and Laundering.	148	10,968	5‡	174
		(-3.6)		(-5.4)
Food, Beverages, and Tobacco ..	284	80,170	30	5,710
		(+27.8)		(+119.3)
Public Utilities ..	50	45,703	..	..
		(+3.0)		..
Other Industries†.	486	73,715	..	..
		(+13.3)		..
Miscellaneous ...	51	15,030	28	4,497
		(+37.3)		(-0.2)
Wholesale and Retail	223	29,185	..	..
				(+3.6)

*Public utilities and wholesale and retail figures not included in this total. †Includes the following industries: Metals, machinery, and conveyances; leather and rubber goods; oils and paints; printing and paper goods. ‡Laundering only. Figures in parentheses indicate percentage change from August 1933.

Trade

Retail sales of department stores increased during August. The rise was larger than usual between July and August in practically all areas from which reports are received, but was most pronounced in San Francisco. Seasonally adjusted sales of Los Angeles stores remained unchanged, after a sharp advance in the preceding month. Total sales were 5 per cent larger in value than a year earlier, the first decisive year-period increase since last April.



DEPARTMENT STORE SALES—Twelfth District
Index adjusted for seasonal variation (1923-1925 average=100).

The Fairchild index of retail prices of department store goods decreased two fractional points between August 1 and September 1 to 87.7 per cent of the figure for January 1931. The usual seasonal increase took place in department store inventories during the month.

RETAIL TRADE—Twelfth District
Percentage changes in value of sales and stocks

	1934 compared with 1933		
	NET SALES		STOCKS
	August	Jan. 1 to end of August	End of August
Department Stores	5.1 (72)	8.1	0.9 (53)
Los Angeles	1.7 (6)	3.6	— 0.5 (6)
Other So. California	1.8 (9)	9.0	—10.5 (6)
Oakland	— 2.8 (5)	3.0	0.6 (5)
San Francisco	9.5 (8)	6.8	2.2 (7)
Bay Region	5.8 (18)	6.3	1.0 (16)
Central California	16.2 (6)	13.4	— 7.8 (6)
Portland†	5.4 (8)	10.5	0.8 (7)
Seattle	4.5 (4)	12.4	7.2 (4)
Spokane	18.7 (5)	29.4	17.2 (5)
Salt Lake City	1.5 (4)	14.1	10.4 (3)
Apparel Stores	8.4 (33)	12.6	8.7 (21)
Furniture Stores	28.0 (35)	10.9	0.1 (26)
All Stores	7.6 (140)	8.8	2.4 (100)

†Includes five apparel stores which are not included in district department store total.
Figures in parentheses indicate number of stores reporting.

Although sales of new automobiles usually begin a seasonal decline after July, they increased somewhat in August of this year to a level higher than in any month in the past four years. On a percentage basis, the increase was about the same for passenger cars as for trucks, although sales of commercial vehicles are currently much higher in relation to the pre-depression figures than are sales of passenger cars. Total sales during the first eight months of 1934 were 34 per cent larger in number than in the corresponding eight months of 1933.

With the restoration of normal distributive facilities, wholesale trade turned upward sharply during August. Gains in practically all lines offset decreases in immediately preceding months, and total sales were larger than in any other month in more than three years. Sales of agricultural implements and automobile supplies, which ordinarily decrease slightly from

WHOLESALE TRADE—Twelfth District
Percentage changes in value of sales

	August 1934 compared with		Cumulative 1934 compared with 1933
	July 1934	Aug. 1933	
Agricultural Implements	13.8	52.2	76.7
Automobile Supplies	7.2	— 0.1	10.9
Drugs	11.1	17.5	26.4
Dry Goods	83.2	30.1	15.8
Electrical Supplies	6.0	22.0	43.4
Furniture	63.6	—17.1	6.6
Groceries	13.2	17.4	15.3
Hardware	20.5	15.6	31.0
Shoes	103.7	15.8	22.6
Paper and Stationery	34.9	8.6	24.6
All Lines	24.0	16.4	23.6

July to August, increased considerably. There were upturns of much more than the usual large amount in sales of dry goods, shoes, and furniture, and considerable expansion in addition to that which customarily takes place was reported by grocery and hardware wholesalers. Sales of drugs and electrical supplies increased about seasonally.

Daily average freight carloadings increased by somewhat less than the usual seasonal amount between July and August, and the adjusted index declined from 73 to 70 per cent of the 1923-1925 average. This decrease offset less than half the increase during May, June, and July, since the April index stood at 65. Expansion in these earlier months partly reflected diversion of water shipments as a result of marine strikes. With the removal of this influence, some reduction in rail shipments might logically be expected. Merchandise and miscellaneous shipments increased less than seasonally during August, while industrial

Distribution and Trade—

	1934				1933		
	Aug.	July	June	May	Aug.	July	June
Indexes adjusted for seasonal variation (1923-1925 average=100)							
Carloadings#							
Total	69¶	72	67	66	61	62	58
Merchandise	77¶	92	90	85	69	68	70
Intercoastal Trade							
Total	74	48	64	79	76	63	72
Westbound	66	75	67	73	92	100	79
Eastbound	78	41	62	82	73	55	69
Retail Trade							
Automobile Sales‡							
Total	71	68	74	62	55	57	64
Passenger	65	62	69	57	52	53	59
Commercial	129	127	120	121	86	98	110
Department Store							
Sales‡	77	73	72	71	74	82	72
Stocks§	62	63	65	66	61	57	57
Collections#							
Regular	45.6	44.6	47.1	47.8	41.6	41.9	42.8
Installment	19.3	17.2	17.3	17.5	17.0	16.0	14.8

‡Daily average. §At end of month. #Per cent of collections during month to amount outstanding at first of month. ¶Preliminary.

loadings advanced by about the customary amount. A smaller than seasonal expansion in California traffic accounted for the entire decline in district freight volume, Pacific Northwest loadings having advanced more than seasonally.

INTERCOASTAL WATER-BORNE COMMERCE
(In thousands of cargo tons)

	1934			
	Monthly Average 1st Quarter	Monthly Average 2nd Quarter	July	August
Eastbound—total	602	515	324	593
Lumber	78	55	3	69
Petroleum	338	319	247	330
Other	186	141	74	194
Westbound—total	152	172	161	143
Iron and steel	42	53	65	37
Other	110	119	96	106
Total cargo	754	687	485	736

A sharp upturn of 250,000 tons in intercoastal water-borne freight more than offset reductions in June and July and brought the total to 736,000 tons, almost equal to monthly traffic immediately prior to the beginning of the longshoremen's strike in May. The entire rise came in eastbound shipments through the Panama Canal, in which the bulk of the previous decline had occurred, and was reflected in all types of cargo. Atlantic to Pacific Coast shipments decreased during August as a result primarily of a reduced movement of iron and steel, the aggregate of other classes of westbound cargoes having increased.

Bank Debits*—

	August 1934	August 1933	First eight months 1933†	
Arizona				
Phoenix	\$ 22,519	\$ 15,845	\$ 200,505	\$ 138,860
California				
Bakersfield	8,029	6,430	66,553	53,354
Berkeley	18,412	11,428	154,414	92,029
Fresno	17,194	13,016	130,792	94,711
Long Beach	23,675	22,875	181,191	179,235
Los Angeles	514,198	502,154	4,302,400	3,987,522
Oakland	164,065	147,317	1,274,132	1,270,096
Pasadena	16,028	16,307	146,494	143,865
Sacramento	91,859	24,882	457,754	216,546
San Bernardino	4,601	4,451	44,687	36,451
San Diego	27,622	28,269	235,876	228,759
San Francisco	680,885	636,005	5,441,160	4,845,248
San Jose	19,085	14,765	127,206	103,814
Santa Barbara	8,047	7,107	63,803	55,658
Stockton	15,412	11,298	109,064	83,753
Idaho				
Boise	12,531	9,069	90,291	67,197
Nevada				
Reno	7,990	5,648	58,116	37,213
Oregon				
Eugene	4,252	3,332	30,968	22,835
Portland	137,683	110,337	963,594	774,409
Utah				
Ogden	15,799	10,606	95,127	69,116
Salt Lake City	47,807	39,116	370,072	306,086
Washington				
Bellingham	5,009	4,586	36,418	31,076
Everett	5,212	5,254	40,813	35,918
Seattle	143,541	141,275	1,078,882	924,207
Spokane	32,149	23,195	231,892	159,603
Tacoma	22,571	20,129	175,740	141,204
Walla Walla	4,996	3,646	32,715	23,233
Yakima	12,614	6,077	76,243	48,488
Total	\$2,083,785	\$1,844,419	\$16,216,902	\$14,170,486

*In thousands of dollars.

†March 1933 figures were incomplete for some cities during the banking holiday period.

Prices

The wholesale commodity price index of the United States Bureau of Labor Statistics advanced steadily during August and early September, reaching 77.5 per cent of the 1926 average at the middle of the later month. This index was 1.8 per cent higher than a month earlier and 30 per cent higher than the low point of March 1933. Wholesale prices of farm products were 7 per cent higher in mid-September than in early August and 83.3 per cent above the level reached in February of last year.

RETAIL FOOD PRICES—Twelfth District
Expressed as percentages of average prices in 1926
(Mid-month figures)

	Los Angeles	Portland	Salt Lake City	San Francisco	Seattle
1933					
January	63	64	61	67	65
February	59	61	58	64	61
March	60	61	58	64	61
April	58	60	59	64	63
May	59	63	61	66	66
June	60	64	65	67	68
July	64	68	68	70	70
August	69	68	69	71	71
September	70	69	67	72	72
October	69	68	68	71	70
November	69	67	69	72	70
December	65	66	69	69	68
1934					
January	64	67	66	68	69
February	64	69	69	72	71
March	65	68	69	72	71
April	64	68	68	71	70
May	64	68	69	71	70
June	65	69	70	72	70
July	67	71	70	73	71
August	68	72	71	74	72
September	71	75	74	76	75

Source: United States Department of Labor.

Retail prices of food in the chief population centers of the Twelfth District have increased considerably since May 1934, and in mid-September were higher than in September of last year, during which month the 1933 peak in retail food prices was recorded for most of the larger Twelfth District cities. The largest increases have been in prices of meat and its products, dairy and poultry products, bread, and rice.

The Credit Situation

Total loans and investments of city member banks increased slightly during the last half of August and the first half of September. City banks increased their commercial and real estate loans, continuing the expansion that started late in July. Loans on securities showed little change. Investments in securities other than United States Government obligations increased steadily as has been the case since the first of this year. During the five weeks ended September 19, reporting banks sold, or permitted to mature without replacement, substantial amounts of United States Government securities.

Total deposits of reporting member banks

continued to increase during the period under review, and on September 19 reached the highest level in three years. The increase during the five weeks ending September 19 reflected entirely a growth in demand deposits, since Government deposits declined and time deposits remained unchanged.

There was a seasonal increase in demand for currency in the Twelfth District between mid-August and mid-September. This drain on banking reserves did not reduce member bank reserve deposits, however, because the United States Treasury continued to make disbursements in excess of local collections, more than offsetting a net outflow of funds to other districts from commercial and financial transactions. The Treasury's total disbursements, exclusive of payments for the redemption of currency or securities, amounted to 99 million dollars between August 15 and September 19, as against collections of 85 million dollars. The agencies making the principal payments and the amounts of those payments were as follows: Reconstruction Finance Corporation and Farm Credit Administration, 14 million dollars; Post Office Department, 17 million dollars; San Francisco Mint and Seattle Assay Office, 13 million dollars. The Government checks, by which these payments were made, were deposited in the amounts indicated in banks served by offices of the Federal Reserve Bank of San Francisco as follows: San Francisco, 47 million dollars; Los Angeles, 18 million dollars; Portland, 8 million dollars; Salt Lake City, 7 million dollars; Seattle, 11 million dollars; and Spokane, 8 million dollars.

Credit extended by the Federal Reserve Bank of San Francisco remained substantially unchanged during the period under review. Most of the outstanding credit of this bank continues in the form of holdings of United States Government securities bought through the System Open Market Investment Committee, and thus represents an extension of funds to money markets outside the Twelfth District. About \$200,000 of bills is currently held under discount for banks in country areas of this district.

Money rates charged customers of Twelfth District banks on most classes of loans declined during September, continuing the downward movement apparent in those rates since March. Interest rates paid by banks on time deposits also continued to decline. All but one of the banks operating in Los Angeles and all banks in Salt Lake City announced that rates paid on savings accounts would be reduced to 2½ per cent from 3 per cent, effective October 1. The 2½ per cent rate is now being paid in all of the principal cities in the Twelfth District, except by a few banks in San Francisco, Oakland, and Los Angeles which pay 3 per cent.

Customers of banks in this district recently have been selling large amounts of foreign exchange for future delivery, probably in anticipation of receipts from crops and canned products now being shipped. Forward commitments by banks are higher than at any time since records became available in March 1933.

Although the volume of trading on local stock exchanges increased in August as compared with July, it decreased in September and was accompanied by declining prices.

SOURCES AND USES OF BANKING RESERVES

Twelfth District

Changes in millions of dollars during the weeks indicated

Week Ending 1934	SOURCES OF FUNDS				Total Supply
	Reserve Bank Credit	Commercial Operations	Treasury Operations		
July 11.....	- 5.1	-12.5	+22.1		+ 4.5
July 18.....	- .8	+ 5.4	+ 8.5		-13.1
July 25.....	- 1.7	-20.0	+ 3.3		-18.4
August 1.....	+ .2	-14.9	+ 1.4		-13.3
August 8.....	+ 1.1	- 5.0	+ 9.3		+ 5.4
August 15.....	+ .1	+ 4.0	+ 5.0		+ 9.1
August 22.....	- 1.9	- 2.5	+13.4		+ 9.0
August 29.....	+ .3	- 8.9	+ 3.7		- 4.9
September 5.....	+ 1.4	+11.0	-16.0		- 3.6
September 12.....	- .2	- 1.2	+11.7		+10.3
September 19.....	+ .6	- 7.6	+ 1.7		- 5.3

USES OF FUNDS

Week Ending 1934	Demand for Currency	Member Bank Reserve Deposits		Other F.R.B. Accounts	Total Demand
July 11.....	- 5.2	+ 8.5	+ 1.2		+ 4.5
July 18.....	+ 4.1	+ 3.1	+ 5.9		+13.1
July 25.....	- 7.7	-10.0	- .7		-18.4
August 1.....	+ 1.2	- 9.2	- 5.3		-13.3
August 8.....	+ 3.5	+ 2.0	- .1		+ 5.4
August 15.....	+ 1.0	+ 9.3	- 1.2		+ 9.1
August 22.....	+ 1.0	+ 4.8	+ 3.2		+ 9.0
August 29.....	+ .7	- 5.2	- .4		- 4.9
September 5.....	+ 7.9	- 8.5	- 3.0		- 3.6
September 12.....	- .5	+ 9.6	+ 1.2		+10.3
September 19.....	- 3.6	- 1.9	+ .2		- 5.3

FEDERAL RESERVE BANK OF SAN FRANCISCO

(In millions of dollars)

	Condition			
	Sept. 19 1934	Sept. 12 1934	Aug. 15 1934	Sept. 20 1933
Total Bills and Securities.....	167	167	167	159
Bills Discounted.....	..	..	..	6
Bills Bought.....	1	1	1	1
United States Securities.....	166	166	166	152
Total Reserves.....	317	321	309	262
Total Deposits.....	255	255	250	175
Federal Reserve Notes in Circulation.....	212	215	209	217
Federal Reserve Bank Notes in Circulation.....	..	..	..	4
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined..	67.7	68.2	67.2	66.8

REPORTING MEMBER BANKS—Twelfth District

(In millions of dollars)

	Condition			
	Sept. 19 1934	Sept. 12 1934	Aug. 15 1934	Sept. 20 1933
Loans and Investments—Total.....	1,889	1,879	1,874	1,676
Loans—Total.....	904	900	880	895
On Securities.....	216	219	223	221
All Other.....	688	681	657	674
Investments—Total.....	985	979	994	781
United States Securities....	603	600	627	464
Other Securities.....	382	379	367	317
Reserve with Reserve Bank.....	144	144	130	94
Net Demand Deposits.....	699	695	660	564
Time Deposits.....	943	942	945	864
Due from Banks.....	174	171	177	130
Due to Banks.....	198	199	197	129
Borrowings at Reserve Bank....	..	..	..	1

MONTHLY REVIEW

OF BUSINESS CONDITIONS

Federal Reserve Agent
Federal Reserve Bank of San Francisco

Supplement

San Francisco, California, September 20, 1934

Vol. XVIII No. 9

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Total output of industry, which usually increases at this season, showed little change in August. Factory employment and payrolls increased between the middle of July and the middle of August by about the usual seasonal amount. Distribution of commodities at department stores showed a more than seasonal growth.

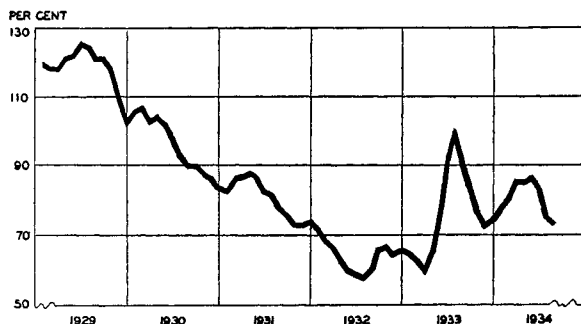
Production and Employment. Output of basic industrial products, as measured by the Board's index, which makes allowance for usual seasonal changes, declined from 75 per cent of the 1923-1925 average in July to 73 per cent in August. At steel mills production continued to decline during August and the early part of September, contrary to seasonal tendency; in the middle of September a slight increase in activity was reported. Output of automobiles, which had been maintained at a relatively high rate during the spring and early summer, declined in August. Lumber production showed an increase. In the cotton textile industry production was in larger volume in August than in July, but was retarded by the strike in the first three weeks of September. At meat-packing establishments output in August was larger than in any other recent month, accompanying heavy marketings of cattle from drought areas.

Factory employment showed a seasonal increase between the middle of July and the middle of August, reflecting considerable growth in employment in the wearing apparel, canning, and meat packing industries, while employment in the iron and steel industries and at railroad repair shops declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in August as in each of the four preceding months.

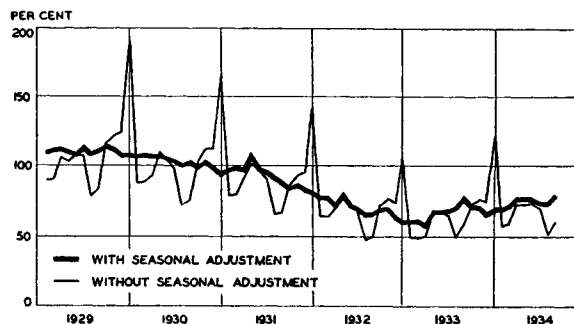
Department of Agriculture estimates as of September 1 indicate a corn crop 40 per cent smaller than the average for the five years 1927-1931 and other feed crops also are expected to be unusually small. The condition of pastures on September 1 was poorer than in any other recent year but some improvement has been reported in the early part of September. The spring wheat crop, estimated at 93,000,000 bushels, is about one-third of the five-year average and the winter wheat crop is also small. The cotton crop is estimated at 9,300,000 bales, a sharp reduction from other recent years.

Distribution. Volume of freight car loadings, which usually increases at this season, showed little change in August. Shipments of miscellaneous freight showed no seasonal expansion, while shipments of livestock increased consid-



INDUSTRIAL PRODUCTION

Index numbers of industrial production, adjusted for seasonal variation (1923-1925 average=100).



DEPARTMENT STORE SALES

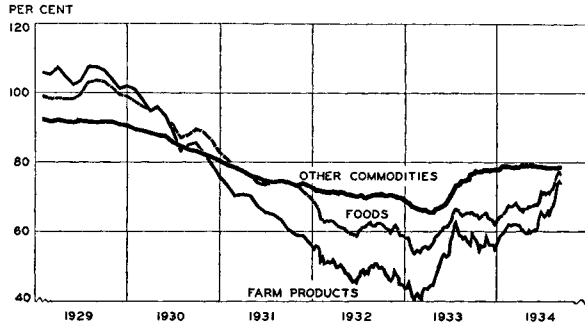
Indexes of daily average value of sales. (1923-1925=100).

erably. Department store sales increased by an amount substantially larger than is usual in August and were 2 per cent higher than a year ago.

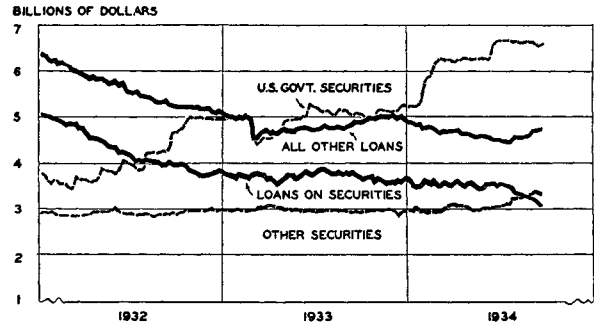
Commodity Prices. Wholesale prices of commodities increased in August and the first week of September, reflecting sharp advances in the prices of farm products and foods. Hog prices

middle of September. On September 19 reserve balances were about \$1,700,000,000 in excess of legal requirements. There was little change in the volume of reserve bank credit during August and September.

Total loans and investments of reporting member banks showed little change between August 15 and September 19; loans, other than



WHOLESALE PRICES
Indexes of the United States Bureau of Labor Statistics.
By months 1929 to 1931; by weeks 1932 to date. (1926=100).



MEMBER BANK CREDIT
Wednesday figures for reporting member banks in 90 leading cities.
Latest figures are for September 19.

advanced rapidly during the month of August and in the latter part of the month cattle prices also showed a marked increase. Prices for both hogs and cattle declined somewhat in the first three weeks of September, and in the middle of the month there were also decreases in the prices of wheat and cotton. In August, as in other recent months, there was little change in prices of commodities other than farm products and foods.

Bank Credit. A seasonal increase in demand for currency by the public and an increase in Government deposits at the reserve banks were reflected in a decline in member bank reserve balances between the middle of August and the

security loans increased by \$170,000,000 and holdings of securities by \$50,000,000, while security loans declined by \$200,000,000. The increase in loans other than on securities occurred largely at banks in New York City and in the western districts and reflected chiefly a growth in direct loans to customers for ordinary commercial purposes and for financing the harvesting of crops. The banks' holdings of acceptances and commercial paper, which also reflect current business financing, increased during the period.

Short term money rates continued at low levels. Yields on both United States Governments and corporate bonds increased during August and the first half of September.

